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UY, VE
SUBJECT: CALDERON PLAYS TO DOMESTIC AUDIENCES IN SOUTH
AMERICA

MEXICO 00002483 001.2 OF 003

Classified By: Confidential by Deputy Political Counselor James Merz
Reason: 1.4 (b),(d).

Message Text:

11. (C) Summary: President Calderon visited Colombia, Uruguay, and Brazil August 12-August 17 to advance economic and political interests. The Mexican press published flashy headlines from Calderon's stops in Colombia and Brazil -- one speaking to an ongoing bilateral program on security and another to a prospective public-private oil investment partnership suggested by Calderon. Focusing on the economy, Calderon and his Colombian counterpart agreed on adjustments to the two countries' 1994 free trade accord. They also signed memoranda eliminating double taxation in Uruguay and Colombia. Notwithstanding a degree of traditional Mexican competition with Brazil for economic and political space in Latin America, Calderon signaled interest in pursuing a Free Trade Agreement (FTA) with Brazil. Throughout the trip, Calderon discussed Mexico's expanding role in the multilateral sphere. Though this was an external visit, the messaging played to domestic audiences. End Summary

Headlines

12. (C) Two major headlines came out of this trip: 1) Colombian President Uribe announced that Colombia will send enough police to train 10,00 Mexican federal police and 2) Calderon announced that the Government of Mexico (GOM) seeks an alliance between the two state-controlled oil giants, Mexico's PEMEX and Brazil's Petrobras. The Mexican press picked up part of Uribe's police announcement, but did not report Uribe's key point: that the Colombian Government already provides this critical training on an ongoing basis. The announcement signified only an incremental increase in the existing partnership. U.S. Embassy Mexico City NAS verified that 24 Colombian investigators already instruct 1,500 SSP police as part of the USG training effort in San Luis Potosi. (Note: It is not clear whether the announcement refers to something new or is a reference to the existing program. Colombian advisors are also involved in independent programs in Ciudad Juarez and elsewhere. End Note.)

13. (C) The second major headline from Calderon's South American tour was the announcement that Mexico made progress on an agreement between Petrobras and PEMEX. No definite plans came out of the meetings, though Calderon may press GOM ministries to follow-up quickly in response to falling oil production. Calderon expressed interest in technology exchange with Petrobras, a world leader on deep-sea drilling. (Note: Given Mexico's constitutional prohibition on private investment in the oil sector and Petrobras' preoccupation with deepwater drilling off the coast of Brazil, potential areas for collaboration will be limited in scope and will not include risk content. End Note) Calderon highlighted GOM-GOB cooperation on a Working Plan on Fuel, under a joint MOU signed in 2007. The two governments also established a joint Brazilian-Mexican Business Forum, with the objective of increasing bilateral commerce.

Free Trade Agreements

14. (C) Uribe announced to the Colombian press that Calderon primarily came to Bogota to sign the "G-2 Free Trade Agreement." The Group of Three, or "G-3" FTA was signed in 1994 between Mexico, Colombia, and Venezuela, but Venezuela unilaterally pulled out of the agreement in November 2006. The two presidents hailed the successful conclusion of negotiations to modify the existing FTA. The modifications included incorporating of new rules of origin, increasing the powers of the Agreement's Administrative Commission, and changing the name of the Agreement to reflect the departure of the third party. Both the Mexican and Colombian legislatures have to ratify these modifications.

MEXICO 00002483 002.2 OF 003

15. (C) In Brasilia, Calderon also talked publicly of his blue-sky plans for a Mexican-Brazilian free trade plan. However, Cuevas told PolOff no defined plans exist to move forward with such a treaty. ProMexico (an agency focused on attracting foreign investment and promoting Mexican exports) and the Brazilian Agency of Imports and Foreign Investment (APEX) signed an MOU to demonstrate their willingness to promote bilateral trade.

Eliminating Double Taxation

16. (SBU) During his joint speech with Calderon, Uruguayan President Vazquez stressed that bilateral trade had grown 240% since Uruguay and Mexico signed an FTA in 2004. However, during Calderon's visit, the two countries eliminated further barriers to investment: double taxation and international tax evasion. Legislators will not have to ratify this agreement into law. Calderon and Uribe signed a similar memorandum, but Mexico does not appear ready to break down such barriers with Brazil.

Multilateralism

17. (SBU) Calderon also demonstrated his desire for Mexico to assume a more prominent profile in the multilateral arena. In all three countries he visited, Calderon and/or each of his counterparts stressed support for Honduras and the importance of Zelaya's return. Uribe, Vazquez, and Lula affirmed they would support Mexico's candidate for a vacancy on the Inter-American Commission of Human Rights in 2010-2013. Publicly, Mexico announced its commitment to host the following meetings in 2009-2010: the next Latin American Pacific Arc (ARC) Summit (November 23-24); the Summit of Latin America and the Caribbean on Integration and Development; and the Summit of the Rio Group, which Mexico chairs. Calderon pledged to work with Brazil on assistance

to Haiti. In Brazil, Calderon also stressed Mexico's commitment to working closely with other developing countries at the upcoming meetings of the G-5 and G-20.

Comment: Sending Messages Home

18. (C) President Calderon used this trip to send two signals to domestic Mexican audiences: one political and one economic. By quickly launching this trip to South America after his Guadalajara meeting with POTUS and Canadian Prime Minister Harper, Calderon clearly wanted to draw attention to Mexico's leadership in Latin America. Calderon even proposed a trade affiliation with Mexico's traditional rival, Brazil. He thereby reinforced Mexico's partnership with other Latin nations and de-emphasized Mexico's economic and political reliance on the U.S., a message that plays well domestically.

19. (C) Mexico's heavy dependence on the U.S. market has played a significant part in Mexico's economic problems. Polls show that while security remains a high priority for the Mexican public, the economic downturn was the driving issue behind the victory scored by the opposition PRI in last month's mid-term elections. After his meeting with Lula, Calderon emphasized that "depending economically on only one region is inadequate for any country" and "such dependency explains why Mexico was so affected in this economic crisis."

By removing barriers to investment and establishing closer ties between business communities, Calderon seeks to diversify Mexico's economy, improve prospects for new markets in Brazil and other Latin economies, and foster increased investment from the region. As the PRI has significant influence over the federal budget, looking for informal economic agreements or those without difficult federal ratification processes is one way in which Calderon can demonstrate to the Mexican public that PAN is taking steps to allay the pinch on their wallets.

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MEXICO 00002483 003.2 OF 003

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